Behave, global south! Economics, experiments, evidence: editorial

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DOI: https://doi.org/10.1016/j.geoforum.2016.01.005

Originally published at:
Berndt, Christian; Boeckler, Marc (2016). Behave, global south! Economics, experiments, evidence: editorial. Geoforum, 70:22-24.
DOI: https://doi.org/10.1016/j.geoforum.2016.01.005

Editorial: Behave, Global South! Economics, Experiments, Evidence

The world's poor are poor because they tend to make the wrong decisions. Flexibly formulated policy interventions and carefully designed choice architectures – based on real evidence about the poor's real behavior and what works and what does not, evidence that has been gathered in randomized control trials – will help the poor to make the right decisions and hence make poverty history. This is the story of last year's World Development Report (WDR) titled "Mind, Society and Behavior", signposting a shift in development policies towards behavioral and experimental economics. The rationale for the report's approach is neatly expressed in the following quote: "Behavioral economics reveals that (…) poor people make mistakes that end up making them poorer, sicker, and less happy. (If they didn't, they could quickly escape poverty by selling self-help classes to the rest of us.) Identifying and correcting these mistakes is a prerequisite for solving global poverty" (Karlan and Appel, 2011: 20).

We think it would be a mistake to underestimate the significance of arguments like these. The 2015 WDR is not just another iteration of dated perspectives. "Mind, Society and Behavior" potentially marks a radical break in development policy delivery and the rise of a new orthodoxy in economics with implications that go far beyond the field of development policy. On the face of it the report asks for more efficient development policies and interventions. This is hardly a novel request. What is new though, from the perspective of the authors of the WDR, is how this goal can be achieved, that is, through "paying attention to how humans think (the processes of mind) and how history and context shape thinking (the influence of society)" (World Bank, 2015: 2). Again, taking context into account in order to meaningfully understand the world is not quite a revelation. After all, this is what geographers, sociologists, anthropologists and qualitative social science have been doing for a century. But this unique combination of epistemology, methods and policies is indeed a fundamental shift in the performative relation of science and society.

The point of departure of the report is behavioral economics (BE) and the distinction between two systems of thinking: Automatic thinking and deliberative thinking (Chapter 1). Taken from cognitive psychology and what is referred to as "dual process model", the argument is that judgments can ideally be produced in two ways, "a rapid, associative, automatic, and effortless intuitive process (sometimes called System 1), and a slower, rule-governed, deliberate and effortful process (System 2)" (Kahneman, 2002: 8; see also Kahneman, 2011: 20-24). System 1 is automatic and unconscious. System 2 is rule-based, rational and explicit. It 'monitors' system 1 and is able to rationalize ideas and feelings that were generated by system 1. It is also able to correct or replace erroneous intuitive judgments. However, this does not happen all the time. Since system 2 has its limits, system 1 often prevails, leading to large and systematic mistakes (Kahneman, 2002: 8). These decisions are also

influenced by social and cultural context, labeled in the WDR as "thinking socially" and "thinking with mental models" respectively (Chapters 2 and 3). Poverty is discussed at length in Chapter 4 of the report, however, it is not seen to derive from the relational effects of structural unevenness, of political or economic conditions, poverty is simply the context of thinking. "It is the context of poverty that modifies decision making in important ways" (World Bank 2015: 81). What is relevant for behavioral economics, therefore, is the effect of poverty on individual decision-making. Poor people lack the resources to think deliberately and have to rely more heavily on automatic decision. Poverty is therefore considered a "cognitive tax", an example even referring to a loss of 10 IQ points (World Bank 2015: 14)!

By rendering poverty a behavioral issue, policy interventions are legitimized that target human choice and action (behavior), turning "highly cost-effective behavioral interventions" (World Bank 2015: 13) into the new gold standard for development policies. We write this editorial to call for more engagement with the implications of these changes for geography. While there has been some outstanding geographic work on behavioral economic-informed policy-making (Jones et al., 2013), and an emerging geographic literature on randomization and field experiments (e.g. Webber, 2015), it has been remarkably silent within economic and development geography with respect to the new orthodoxy in economics, that is behavioral and experimental economics (see also Berndt, 2015). Reading carefully through the report, we identified four rather worrisome tendencies that demand attention: (1) a radical *neo-individualism*, (2) the oxymoronic framing of policies as some kind of *soft paternalism*, (3) an interesting design of *distributed agency*, and (4) a reflexive play of *experimental interventions*.

Neo-individualism

In line with the general thrust of behavioral economic thinking, the WDR acknowledges that markets are critical for poverty reduction, but argues that they do not work particularly well for the poor in the global south. In trying to explain why markets are not working as they should, the "blame" is directed at the poor themselves: the "problem of poverty" being located within the effect of individual decisions. "[P]eople think fast, relying on intuition more often than careful analysis", argue the WDR authors in an online review of the report, "making most judgments and most choices automatically" (World Bank, 2014). Rather than solely being interested in improving institutions to solve "problems between people", the emerging behavioral approach to poverty therefore puts emphasis on "problems within individuals" (Mullainathan, 2005: 67; emphasis removed from original). This shift from the market to the individual subject as a target of policy interventions also entails a methodological reformulation: Based on assumptions about atomistic behavior, individualism used to be the key to the neoclassical modeling of macro phenomena; now the individual is ad-

dressed in order to bring individual behavior in line with the assumptions of macro models of societies. This is what we call "neo-individualism". We chose this term also to highlight that the gap between both perspectives is not nearly as wide as we are often made to believe. Protagonists of behavioralism in development economics continue to conceptualize the poor as means–ends-oriented, weakening the neoclassical assumption that they are all-knowing and perfect calculators only to some extent. They may scratch the positive surface of the neoclassical project (i.e. describing and predicting accurately what people actually do), but ultimately strengthen its more far-reaching normative aspirations (i.e. the idea that rational maximization is what people *should* do). In so doing the emerging new orthodoxy actually provides a means to stabilize the neoclassical project during turbulent times, translating it into a utopian yardstick to measure concrete economic behavior and as a behavioral norm performing economic realities.

Soft paternalism?

Signposted as a sort of "third way", protagonists of the behavioral turn in development distance themselves both from neoclassical market-oriented policies as well as from traditional development aid and large-scale state interventions. Both market and state are found wanting. Against this, proponents of BE claim to occupy the middle ground, the WDR (p. 20) for instance arguing that "psychological and social factors involved in decision making [offer]'low-hanging fruit' – that is, policies with relatively large gains at relatively low cost". This resonates with the suggestion of asymmetric or libertarian paternalism in the scholarly literature as an institutional frame that is capable of intervening politically with as much state as necessary and as much free market as possible. Both terms depict policies that are "smart", that is, policies that help those who are less sophisticated cognitively "while imposing little or no harm on those who are fully rational" (Camerer et al., 2003: 1212; see also Thaler and Sunstein, 2008: 249). Libertarian paternalist interventions turn into means to change behavior, being capable of curing the behavioral defects that are ultimately made responsible for poverty and underdevelopment. However, given that behavior can be expected 'to be adaptive' there is hope: "market players can 'learn' more efficient behavior" (Swiss Agency for Development and Cooperation, 2008, p. 8). The market is capable of healing the behavioral deficiencies by disentangling the rural poor from the bonds of traditional cultural and social conditions and by enabling them to take the initiative into their own hands (Anderson and Stamoulis, 2006: 24). However, it should be added, that for those who are subject to these interventions there is often little softness in the paternalism prescribed. We are confronted with only thinly veiled pretensions to engage in outright behavioral engineering and the "breaking" of inefficient habits (OECD, 2012: 45).

Design of distributed agency

The development economists "in the wild" who translate behaviorist thinking into concrete interventions are fully aware that much more is needed for successful behavior change then the presence of socially embedded human beings (e.g. interventions that make use of peer relations). This refers to the material side of the behavioral turn in development. One could frame the interventions in question as sociotechnical medicine that assembles a carefully arranged network of humans and non-humans. In this assemblage agency is purposefully designed as being distributed between heterogeneous elements. Amongst these market devices play a crucial role in bringing about what BE protagonists refer to technocratically as "choice architectures". In this context a key ingredient of the behavioral medicine concerns so-called "nudges". Following Thaler and Sunstein's (2008) best-selling book, nudging is about the construction and management of incentive structures in order to channel the behavior of "humans" into a direction that is deemed socially beneficial. The WDR points out that these nudges are "simple and often inexpensive (...) [and] may even play on the behavioral patterns and use them in smart ways" (p. 120). Nudges include framing information, anchoring, simplification of products and procedures, and also reminders and commitment devices (p. 36). Commitment devices for savings, for instance, see to it that consumers voluntarily stop withdrawing money from their accounts until a certain target level is reached. Simple text messages remind the recipient not to forget to buy subsidized fertilizer in a given time window, or there is the supply of critical market or production data in a way that smallholders are almost forced to calculate and to entertain the idea of whether or not to take more risks. This prepares the ground for a radical decontextualization of the issues at hand: wider societal issues being translated into technical problems that can be corrected with the help of behavioral engineering and experimentalism.

Experimental interventions

The idea of behavioral change is far from being novel: after all the disciplining of subjects is what modernity is all about. What is novel is the experimental design and the evidence-based logic of these interventions. Interventions have to be adaptive, monitoring themselves in "ongoing experimentation" (World Bank, 2015: 20). Learning takes place within interventions and feeds back into "redefining, rediagnosing, and redesigning programs in a cycle of continued improvement" (ibid.). While the Report is attentive to a broad scheme of different research methods, the interventions ultimately have to be based on hard facts about what works and what does not, or in the deceptively simple words of Abhijit Banerjee and Esther Duflo: "We need evidence" (2011: 4).

A crucial step has been the development of the field experiments and randomization. This method is used to neutralize differences between groups. Subjects are assigned randomly to either control or experimental group, under the assumption that variations with regard to unidentified factors will be

distributed evenly across the groups (Guala, 2005: 62ff). Although the underlying principle is the classical economic notion of "ceteris paribus" (all other things being held equal), randomization travelled into economics from the medical world where the so-called randomized controlled trial (RCT) has long been an established procedure in the context of clinical investigation. Randomization plays a crucial role in the spread of behavioral thinking into the policy realm. While this includes examples in the global north, it has been in the context of development in the global south that this technology has really taken off. All this has profound political implications. This crucially concerns the rationale of hard evidence, linking the method with the wider trend towards evidence-based policy delivery. But the RCTs also seep into politics in more subtle ways: there is no RCT for political economy or macroeconomics, it is only certain fields that can provide "evidence" – and if you cannot do RCTs, you are practically asking the wrong questions.

The exact way in which this particular form of market-based development is being played out on the ground is of course an empirical matter. The script of behavioral engineering is surely not inscribed on docile peasant bodies, passively performing the subjectivities it is naming. This qualification makes it even more important to critically engage with the fact that behaviorism and experimentalism more generally have almost become a new "orthodoxy" in mainstream economics. Not least because of the overtly simplistic geography informing the scholarly and policy literature: Interventions always aim at changes "in place" – within a region, within a village, within a person. Hidden from view are other entanglements, for instance, the fact that the integration into global production and consumption networks is a highly uneven and volatile affair. There are reasons therefore to be watchful given the impacts on development policy and practice and the fact that the trend is certainly not confined to rural settings in the global south.

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